HANCOCK TELEPHONE

October 15, 2013

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

Re: WC Docket Nos. 10-90 and 11-42
47 CFR §§54.313 and 54.422 – FCC Form 481 Data Collection Filing

Dear Secretary Dortch:

Enclosed is a copy of the Hancock Telephone Company's FCC Form 481 Annual Report which has been submitted online with USAC. A copy of this filing has also been provided to the New York State Public Service Commission.

Should you have any questions regarding this request, please do not hesitate to contact me.

Respectfully submitted,

Robert C. Wrighter, Jr.
Vice President

Enclosure

FCC Form 481 - Carrier Annual Reporting Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name: Person USAC should contact with questions about this data	Lew Martin
<035>	Contact Telephone Number: Number of the person identified in data line <030>	607-637-9947
<039>	Contact Email Address: Email of the person identified in data line <030>	lewm@hancock.net

ANNUAL REPORTING FOR ALL CARRIERS				54.313 Completion Required	54.422 Completion Required
			(check box when complete)		
<100>	Service Quality Improvement Reporting		*(complete attached worksheet)*		
<200>	Outage Reporting (voice)		*(complete attached worksheet)*	✓	✓
<210>		✓ <-- check box if no outages to report			
<300>	Unfulfilled Service Requests (voice)	0		✓	
<310>	Detail on Attempts (voice)		*(attach descriptive document)*	✓	
<320>	Unfulfilled Service Requests (broadband)	0		✓	
<330>	Detail on Attempts (broadband)		*(attach descriptive document)*	✓	
<400>	Number of Complaints per 1,000 customers (voice)			✓	✓
<410>	Fixed	0.0			
<420>	Mobile				
<430>	Number of Complaints per 1,000 customers (broadband)				
<440>	Fixed				
<450>	Mobile				
<500>	Service Quality Standards & Consumer Protection Rules Compliance		*(check to indicate certification)*	✓	✓
<510>	150099NY510		*(attached descriptive document)*	✓	✓
<600>	Functionality in Emergency Situations		*(check to indicate certification)*	✓	✓
<610>	150099NY610		*(attached descriptive document)*	✓	✓
<700>	Company Price Offerings (voice)		*(complete attached worksheet)*		
<710>	Company Price Offerings (broadband)		*(complete attached worksheet)*		
<800>	Operating Companies and Affiliates		*(complete attached worksheet)*	✓	✓
<900>	Tribal Land Offerings (Y/N)?	○ ◉	*(if yes, complete attached worksheet)*	✓	
<1000>	Voice Services Rate Comparability		*(check to indicate certification)*		
<1010>			*(attach descriptive document)*		
<1100>	Terrestrial Backhaul (Y/N)?	◉ ○	*(if not, check to indicate certification)*		
<1110>			*(complete attached worksheet)*		
<1200>	Terms and Condition for Lifeline Customers		*(complete attached worksheet)*		✓

Price Cap Carriers, Proceed to <u>Price Cap Additional Documentation Worksheet</u>
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	*(check to indicate certification)*		
<2005>	*(complete attached worksheet)*		

Rate of Return Carriers, Proceed to <u>ROR Additional Documentation Worksheet</u>

<3000>	*(check to indicate certification)*	✓	
<3005>	*(complete attached worksheet)*	✓	

(100) Service Quality Improvement Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

<110>	Has your company received its ETC certification from the FCC?	(yes / no) ○ ●
<111>	If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no) ○ ○

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113>	Maps detailing progress towards meeting plan targets	☐
<114>	Report how much universal service (USF) support was received	☐
<115>	How (USF) was used to improve service quality	☐
<116>	How (USF)was used to improve service coverage	☐
<117>	How (USF) was used to improve service capacity	☐
<118>	Provide an explanation of network improvement targets not met in the prior calendar year.	☐

(200) Service Outage Reporting (Voice)
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

<220>

<a> NORS Reference Number	<b1> Outage Start Date	<b2> Outage Start Time	<b3> Outage End Date	<b4> Outage End Time	<c1> Number of Customers Affected	<c2> Total Number of Customers	<d> 911 Facilities Affected (Yes / No)	<e> Service Outage Description (Check all that apply)	<f> Did This Outage Affect Multiple Study Areas (Yes / No)	<g> Service Outage Resolution	<h> Preventative Procedures

-- See attached worksheet --

(700) Price Offerings including Voice Rate Data
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

<701>	Residential Local Service Charge Effective Date	1/1/2013
<702>	Single State-wide Residential Local Service Charge	

<703>

<a1> State	<a2> Exchange (ILEC)	<a3> SAC (CETC)	<b1> Rate Type	<b2> Residential Local Service Rate	<b3> State Subscriber Line Charge	<b4> State Universal Service Fee	<b5> Mandatory Extended Area Service Charge	<c> Total per line Rates and Fees

-- See attached worksheet --

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986 / OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

<711>

<a1> State	<a2> Exchange (ILEC)	<b1> Residential Rate	<b2> State Regulated Fees	<c> Total Rate and Fees	<d1> Broadband Service - Download Speed (Mbps)	<d2> Broadband Service - Upload Speed (Mbps)	<d3> Usage Allowance (GB)	<d4> Usage Allowance Action Taken When Limit Reached {*select* }

-- See attached worksheet --

(800) Operating Companies
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

<810>	Reporting Carrier	HANCOCK TEL CO
<811>	Holding Company	HANCOCK TEL CO
<812>	Operating Company	HANCOCK TEL CO

<813>

<a1> Affiliates	<a2> SAC	<a3> Doing Business As Company or Brand Designation

-- See attached worksheet --

(900) Tribal Lands Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes,No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

		Select (Yes,No, NA)
<921>	Needs assessment and deployment planning with a focus on Tribal community anchor institutions;	
<922>	Feasibility and sustainability planning;	
<923>	Marketing services in a culturally sensitive manner;	
<924>	Compliance with Rights of way processes	
<925>	Compliance with Land Use permitting requirements	
<926>	Compliance with Facilities Siting rules	
<927>	Compliance with Environmental Review processes	
<928>	Compliance with Cultural Preservation review processes	
<929>	Compliance with Tribal Business and Licensing requirements.	

(1100) No Terrestrial Backhaul Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G) ☐

<1130> Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G) ☐

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

<1210> Terms & Conditions of Voice Telephony Lifeline Plans — 150099NY1210

Name of attached document (.pdf)

<1220> Link to Public Website — HTTP http://hancocktelephone.com/telephone/lifeline

“Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☑

<1222> Details on the number of minutes provided as part of the plan, ☑

<1223> Additional charges for toll calls, and rates for each such plan. ☑

(2000) Price Cap Carrier Additional Documentation
Data Collection Form
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<2010> 2nd Year Certification {47 CFR § 54.313(b)(1)} ☐
<2011> 3rd Year Certification {47 CFR § 54.313(b)(2)} ☐

Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}

<2012> 2013 Frozen Support Certification ☐
<2013> 2014 Frozen Support Certification ☐
<2014> 2015 Frozen Support Certification ☐
<2015> 2016 and future Frozen Support Certification ☐

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification Support Used to Build Broadband ☐

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017> 3rd year Broadband Service Certification ☐
<2018> 5th year Broadband Service Certification ☐
<2019> Interim Progress Certification ☐
<2020> Please check the box to confirm that the attached PDF , on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year. ☐
<2021> Interim Progress Community Anchor Institutions — Name of Attached Document Listing Required Information ________________

(3000) Rate Of Return Carrier Additional Documentation Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

-

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

Progress Report on 5 Year Plan

(3010)	Milestone Certification {47 CFR § 54.313(f)(1)(i)} Please check this box to confirm that the attached PDF , on line 3012,	Name of Attached Document Listing Required Information	☐
(3011)	contains the required information pursuant to § 54.313 (f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.		
(3012)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}		✓ (Yes/No)
(3014)	If yes, does your company file the RUS annual report		✓ (Yes/No)
	Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:		
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		✓
(3016)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		✓
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	150099ny3017
(3018)	If the response is no on line 3014, Is your company audited?		☐ (Yes/No)
	If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains :		
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications		☐
(3020)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		☐
(3021)	Management letter issued by the independent certified public accountant that performed the company's financial audit.		☐
	If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:		
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,		☐
(3023)	Underlying information subjected to a review by an independent certified public accountant		☐
(3024)	Underlying information subjected to an officer certification.		☐
(3025)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		☐
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients

I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.

Name of Reporting Carrier: HANCOCK TEL CO

Signature of Authorized Officer: CERTIFIED ONLINE Date 10/08/2013

Printed name of Authorized Officer: Robert Wrighter Sr

Title or position of Authorized Officer: President

Telephone number of Authorized Officer: 607-637-9911

Study Area Code of Reporting Carrier: 150099 Filing Due Date for this form: 10/15/2013

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

Certification - Agent / Carrier **Data Collection Form**	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier

I certify that (Name of Agent)____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.

Name of Authorized Agent:	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date:
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier

I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.

Name of Reporting Carrier:	
Name of Authorized Agent or Employee of Agent:	
Signature of Authorized Agent or Employee of Agent:	Date:
Printed name of Authorized Agent or Employee of Agent:	
Title or position of Authorized Agent or Employee of Agent	
Telephone number of Authorized Agent or Employee of Agent:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

Attachments

(800) Operating Companies

Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	150099
<015>	Study Area Name	HANCOCK TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Lew Martin
<035>	Contact Telephone Number - Number of person identified in data line <030>	607-637-9947
<039>	Contact Email Address - Email Address of person identified in data line <030>	lewm@hancock.net

<810>	Reporting Carrier	HANCOCK TEL CO
<811>	Holding Company	HANCOCK TEL CO
<812>	Operating Company	HANCOCK TEL CO

<813>

<a1> Affiliates	<a2> SAC	<a3> Doing Business As Company or Brand Designation
Pronet, LLC		

HANCOCK TELEPHONE COMPANY
FCC FROM 481

Line 510 – Service Quality Standards and Consumer Protection Rules Compliance

The Hancock Telephone Company, Inc. (Company) certifies that it is complying with applicable service quality standards and consumer protection rules. Specifically, the Company complies with the rules set forth in Title 16 of the Codes, Rules and Regulations of the State of New York Parts 602 and 603 including but not limited to, compliance with Truth in Billing provisions, providing toll free access to customer service centers, providing trained and qualified customer contact personnel, maintaining a website listing terms and conditions of different services provided, and providing access to its tariff via the Company's website or hard copy upon request. The Company also adheres to federal regulations regarding Consumer Proprietary Network Information (CPNI) and Red Flag Rules.

HANCOCK TELEPHONE COMPANY
FCC FORM 481

Line 610 – Functionality in Emergency Situations

The Hancock Telephone Company, Inc. (The Company) certifies that it is able to function in emergency situations, as set forth in §54.202(a)2, and has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations. Specifically, the Company's first line of defense against any such interruption in power would be battery back-up power. The Company also has an automatic standby generator located at its central office as well as multiple portable generators to support remote concentrator functionality. There is a five hundred gallon fuel tank located on site which is the source of fuel for the automatic standby generator, as well as, several gallons of fuel available to operate the portable generators. The Company also has the ability to make any necessary adjustments to routing of traffic including but not limited to turning up additional facilities with neighboring carriers to provide alternative routing in order to accommodate damaged facilities and emergency situations.

Received: 05/30/2012

Status: EFFECTIVE
Effective Date: 07/01/2012

SPECIAL EQUIPMENT, SERVICES, AND PROGRAMS

A. LIFELINE TELEPHONE SERVICE

1. Lifeline Telephone Service Options

a. Description

1. Lifeline Discounted Service

+

This service provides a flat rate federal discount of $9.25, consisting of a $6.50 reduction of the Federal Subscriber Line Charge and a $2.75 reduction in the monthly rate for local exchange telephone service for residential customers. Qualified customers may choose any type or grade of local telephone service, including bundled services that are normally offered by the Company. (C)

+

1 A. Additional Lifeline Discount

This service provides the discount as outlined in A.1.a.1 above and may provide an additional discount equal to the serving company's increase in residential basic local exchange service, as authorized by the NYS Department of Public Service in Case No. 07-C-0349, released March 4, 2008, whereby the NY Commission authorized certain companies to increase basic local service rates up to $2.00 per year for 2 years. The discount can be found on Addendum 1 of the individual Company tariff for those companies offering the Additional Lifeline Discount.

Received: 05/30/2012
Status: EFFECTIVE
Effective Date: 07/01/2012

SPECIAL EQUIPMENT, SERVICES, AND PROGRAMS

A. LIFELINE TELEPHONE SERVICE

+

(D)

+

Received: 03/29/2012

Status: EFFECTIVE
Effective Date: 04/29/2012

A. LIFELINE TELEPHONE SERVICE (cont'd)

1. Lifeline Telephone Service Options (cont'd)

b. General

+

Qualified customers may choose to apply the federal Lifeline credit to any of the company's local service offerings, including any local bundled service offering, basic local service, or message rate service. Message rate Lifeline service is available only where central office facilities permit. For connection of new service, service connection charges apply unless the customer qualifies for connection assistance under the Tribal Lands Link Up program.

(C)

Service connection charges do not apply to change existing service from:

1. Message or flat rate services to Lifeline service.

2. Lifeline service to non-Lifeline services.

+

Issued in Compliance with FCC Order in Dockets: WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23

P.S.C. No. 2 - Telephone

New York State Telecommunications Association, Inc.

Section 9
First Revised Page 4.1
Superseding Original Page 4.1

SPECIAL EQUIPMENT, SERVICES, AND PROGRAMS

A. LIFELINE TELEPHONE SERVICE (cont'd)

2. Regulations

a. These services are restricted to low income residential customers. To qualify for Lifeline service a customer must certify and provide documentation as income eligible. For a consumer to be eligible under the income requirements, the consumer's household income as defined in § 54.400(f) of the FCC Rules must be at or below 135% of the Federal Poverty Guidelines for a household of that size or a recipient of benefits from any one of the following Entitlement Programs: (C)
(C)

1. Medicaid;
2. Supplemental Nutrition Assistance Program (SNAP) F/K/A Food stamps;
3. Supplemental Security Income;
4. Federal Public Housing Assistance (Section 8);
5. Low-Income Home Energy Assistance Program (LIHEAP);
6. National School Lunch Program's free lunch program;
7. Temporary Assistance for Needy Families/SafetyNet; (C)
8. Veterans Disability Pension
9. Veterans Surviving Spouse Pension

Issued in Compliance with FCC Order in Dockets: WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23

Received: 03/29/2012

Status: EFFECTIVE
Effective Date: 04/29/2012

SPECIAL EQUIPMENT, SERVICES, AND PROGRAMS

A. LIFELINE TELEPHONE SERVICE (cont'd)

2. Regulations (cont'd)

+

b. The Lifeline discount is effective upon receipt of a completed form of eligibility. If the form is not returned, no further action is taken by the Company to establish eligibility.

(C)

c. The Company, in coordination with appropriate agencies and the Lifeline Customer, will require Lifeline customers to be re-certified, on an annual basis. Lifeline customers will need to certify that they continue to be eligible to receive these Lifeline benefits and that they are not receiving benefits from another company. If, a customer is identified as being ineligible, the customer will be notified that unless the information is shown to be in error, the Lifeline discount will be discontinued. The customer will be billed for discounts received for the time that they were proven to be ineligible for the service.

+

3. Locality Charge Waiver
Customers receiving Lifeline Telephone Service will have applicable locality charges waived each month while they are receiving the Lifeline Assistance.

4. Voluntary Toll Blocking (Restriction)
Customers receiving Lifeline service can voluntarily request and receive toll blocking (call restriction), third number billing/collect call restriction without a monthly charge. There will be no record order charge to add these types of restrictions (blocking).

Issued in Compliance with FCC Order in Dockets: WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23

Received: 11/28/2012

Status: EFFECTIVE
Effective Date: 02/01/2013

RATES

F. Group Six (Local Exchange Services)

Hancock

	Residential	Business	
Flat Rate Exchange Service (Basic Service)			
Individual Line	$19.37	$19.37	(C)
Multi-Premises (per premises)	$19.37	$19.37	(C)
Trunk Rate	$N/A	$29.06	(C)
Joint User Service	$N/A	$N/A	

Message Rate Exchange Service (Individual Line Only)

	Residential	Business
Un-timed Message	$N/A	$N/A
Allowance	N/A calls	N/A calls
Timed Message	$N/A	$N/A
Basic Budget	$N/A	$N/A
Auxiliary Line	$N/A	$N/A
Trunk Rate (first trunk)	$N/A	$N/A
Allowance	N/A calls	N/A calls
Trunk Rate (each additional trunk)	$N/A	$N/A
Allowance	N/A calls	N/A calls
Message Unit	$N/A	$N/A
Timed Unit		
First N/A Minute	$N/A	$N/A
Each Additional Minute	$N/A	$N/A

Received: 11/28/2012

Status: EFFECTIVE
Effective Date: 02/01/2013

Additional Lifeline Service Credit

Additional Lifeline Service Credit*

Effective	**Amount of Additional Lifeline Credit Per Residential Basic Local Exchange Access Line**
February 1, 2013	$7.00 (C)

** Issued in compliance with Commission Order in Case No. 07-C-0349 March 4, 2008, and December 18, 2010.*

Date Issued: November 30, 2012 Date Effective: February 1, 2013

Issued By: Robert C. Wrighter, Sr., President, Hancock, New York

USDA-RUS

This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.

OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

BORROWER NAME

The Hancock Telephone Company

(Prepared with Audited Data)

INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.

PERIOD ENDING: December, 2012

BORROWER DESIGNATION: NY0541

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII
(Check one of the following)

[X] All of the obligations under the RUS loan documents have been fulfilled in all material respects.

[ ] There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report

robert wrightersr

3/26/2013
DATE

PART A. BALANCE SHEET

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			**CURRENT LIABILITIES**		
1. Cash and Equivalents	101,924	168,525	25. Accounts Payable	999,184	1,289,006
2. Cash-RUS Construction Fund	0	0	26. Notes Payable	386,000	327,000
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	140	0
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	6,421	6,872
c. Notes Receivable	0	0	30. Current Mat. L/T Debt-Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat.-Capital Leases	0	0
a. Telecom, Accounts Receivable	14,082	12,984	32. Income Taxes Accrued		0
b. Other Accounts Receivable	124,992	115,407	33. Other Taxes Accrued		0
c. Notes Receivable	0	0	34. Other Current Liabilities	128,594	120,684
5. Interest and Dividends Receivable	0	0	**35. Total Current Liabilities (25 thru 34)**	1,520,339	1,743,562
6. Material-Regulated	28,227	14,753	**LONG-TERM DEBT**		
7. Material-Nonregulated	638	497	36. Funded Debt-RUS Notes	0	0
8. Prepayments	32,681	33,853	37. Funded Debt-RTB Notes	29,767	22,882
9. Other Current Assets	1,342,975	1,310,507	38. Funded Debt-FFB Notes	0	0
10. Total Current Assets (1 Thru 9)	1,645,519	1,656,526	39. Funded Debt-Other	0	0
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan	0	0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	0	0	42. Reacquired Debt	0	0
b. Nonrural Development	1,592,119	1,789,114	43. Obligations Under Capital Lease	0	0
12. Other Investments			44. Adv. From Affiliated Companies	0	0
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	6,511	5,905	**46. Total Long-Term Debt (36 thru 45)**	29,767	22,882
13. Nonregulated Investments	0	0	**OTHER LIAB. & DEF. CREDITS**		
14. Other Noncurrent Assets	0	0	47. Other Long-Term Liabilities	479,747	498,386
15. Deferred Charges	467,501	517,916	48. Other Deferred Credits	827,616	820,710
16. Jurisdictional Differences		0	49. Other Jurisdictional Differences	0	0
17. Total Noncurrent Assets (11 thru 16)	2,066,131	2,312,935	50. Total Other Liabilities and Deferred Credits (47 thru 49)	1,307,363	1,319,096
PLANT, PROPERTY, AND EQUIPMENT			**EQUITY**		
18. Telecom, Plant-in-Service	5,094,180	5,086,435	51. Cap. Stock Outstand. & Subscribed	60,000	60,000
19. Property Held for Future Use	0	0	52. Additional Paid-In-Capital	0	0
20. Plant Under Construction	0	0	53. Treasury Stock	(950,752)	(950,752)
21. Plant Adj., Nonop. Plant & Goodwill	72,459	72,459	54. Membership and Cap. Certificates	0	0
22. Less Accumulated Depreciation	4,015,865	4,018,939	55. Other Capital	0	0
23. Net Plant (18 thru 21 less 22)	1,150,774	1,139,955	56. Patronage Capital Credits	0	0
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	2,895,707	2,914,628
			58. Total Equity (51 thru 57)	2,004,955	2,023,876
	4,862,424	5,109,416	**59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)**	4,862,424	5,109,416

Total Equity = 39.61% % of Total Assets

USDA-RUS **OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS**	BORROWER DESIGNATION NY0541
INSTRUCTIONS- See RUS Bulletin 1744-2	PERIOD ENDING December, 2012

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	351,851	357,615
2. Network Access Services Revenues	1,173,285	1,091,985
3. Long Distance Network Services Revenues	139	143
4. Carrier Billing and Collection Revenues	33,975	27,149
5. Miscellaneous Revenues	53,465	55,985
6. Uncollectible Revenues	34	1,200
7. Net Operating Revenues (1 thru 5 less 6)	1,612,681	1,531,677
8. Plant Specific Operations Expense	628,002	636,005
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	77,488	84,212
10. Depreciation Expense	257,940	138,878
11. Amortization Expense	0	0
12. Customer Operations Expense	146,374	144,891
13. Corporate Operations Expense	616,388	634,110
14. Total Operating Expenses (8 thru 13)	1,726,192	1,638,096
15. Operating Income or Margins (7 less 14)	(113,511)	(106,419)
16. Other Operating Income and Expenses	0	0
17. State and Local Taxes	0	0
18. Federal Income Taxes	0	0
19. Other Taxes	(11,575)	(2,153)
20. Total Operating Taxes (17+18+19)	(11,575)	(2,153)
21. Net Operating Income or Margins (15+16-20)	(101,936)	(104,266)
22. Interest on Funded Debt	3,405	2,216
23. Interest Expense - Capital Leases	0	0
24. Other Interest Expense	17,289	25,306
25. Allowance for Funds Used During Construction		0
26. Total Fixed Charges (22+23+24-25)	20,694	27,522
27. Nonoperating Net Income	130,585	150,709
28. Extraordinary Items	0	0
29. Jurisdictional Differences	0	0
30. Nonregulated Net Income	0	0
31. Total Net Income or Margins (21+27+28+29+30-26)	7,955	18,921
32. Total Taxes Based on Income	(86,851)	(74,604)
33. Retained Earnings or Margins Beginning-of-Year	2,887,753	2,895,707
34. Miscellaneous Credits Year-to-Date	0	0
35. Dividends Declared (Common)	0	0
36. Dividends Declared (Preferred)	0	0
37. Other Debits Year-to-Date	0	0
38. Transfers to Patronage Capital	1	0
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	2,895,707	2,914,628
40. Patronage Capital Beginning-of-Year	0	0
41. Transfers to Patronage Capital	0	0
42. Patronage Capital Credits Retired	0	0
43. Patronage Capital End-of-Year (40+41-42)	0	0
44. Annual Debt Service Payments	48,367	8,650
45. Cash Ratio [(14+20-10-11) / 7]	0.9033	0.9774
46. Operating Accrual Ratio [(14+20+26) / 7]	1.0760	1.0860
47. TIER [(31+26) / 26]	1.3844	1.6875
48. DSCR [(31+26+10+11) / 44]	5.9253	21.4244

USDA-RUS **OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS** *INSTRUCTIONS - See RUS Bulletin 1744-2*	BORROWER DESIGNATION NY0541 PERIOD ENDED December, 2012

Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
EXCHANGE	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Hancock	17.90	17.37	412	875	1,287	167.00	7.00
Winterdale	17.90	17.25	17	101	118	4.00	0.00
MobileWireless					0		
Route Mileage Outside Exchange Area						0.00	0.00
Total			429	976	1,405	171.00	7.00
No. Exchanges	2						

USDA-RUS **OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS** *INSTRUCTIONS - See RUS Bulletin 1744-2*	BORROWER DESIGNATION NY0541 PERIOD ENDED December, 2012

Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

4. BROADBAND SERVICE

			Details on Least Expensive Broadband Service					
EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
Hancock	1,287	666	432	1,500	1,500	39.95	StandAlone	DSL
Winterdale	118	73	54	1,500	1,500	39.95	StandAlone	DSL
Total	1,405	739						

USDA-RUS

OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

INSTRUCTIONS- See RUS Bulletin 1744-2

BORROWER DESIGNATION
NY0541

PERIOD ENDING
December, 2012

PART D. SYSTEM DATA

1. No. Plant Employees	2. No. Other Employees	3. Square Miles Served	4. Access Lines per Square Mile	5. Subscribers per Route Mile
3	6	102	13.77	8.22

PART E. TOLL DATA

1. Study Area ID Code(s)

a. 150099
b.
c.
d.
e.
f.
g.
h.
i.
j.

2. Types of Toll Settlements (Check one)

Interstate: ☐ Average Schedule ☒ Cost Basis

Intrastate: ☐ Average Schedule ☒ Cost Basis

PART F. FUNDS INVESTED IN PLANT DURING YEAR

1. RUS, RTB, & FFB Loan Funds Expended	
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	137,831
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	137,831

PART G. INVESTMENTS IN AFFILIATED COMPANIES

INVESTMENTS	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year	Income/Loss This Year	Cumulative Investment To Date	Cumulative Income/Loss To Date	Current Balance
(a)	(b)	(c)	(d)	(e)	(f)
1. Investment in Affiliated Companies - Rural Development			0		0
2. Investment in Affiliated Companies - Nonrural Development			1,592,119	196,995	1,789,114

USDA-RUS

OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

BORROWER DESIGNATION
NY0541

PERIOD ENDING
December, 2012

PART H. CURRENT DEPRECIATION RATES

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)

[X] YES [ ] NO

EQUIPMENT CATEGORY	DEPRECIATION RATE
1. Land and support assets - Motor Vehicles	10.50%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	6.67%
5. Land and support assets - Buildings	2.30%
6. Land and support assets - Furniture and Office equipment	5.85%
7. Land and support assets - General purpose computers	14.88%
8. Central Office Switching - Digital	6.74%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	
12. Central Office Transmission - Circuit equipment	7.66%
13. Information origination/termination - Station apparatus	
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	5.87%
19. Cable and wire facilities - Aerial cable - Metal	5.78%
20. Cable and wire facilities - Aerial cable - Fiber	6.00%
21. Cable and wire facilities - Underground cable - Metal	3.01%
22. Cable and wire facilities - Underground cable - Fiber	
23. Cable and wire facilities - Buried cable - Metal	4.00%
24. Cable and wire facilities - Buried cable - Fiber	
25. Cable and wire facilities - Conduit systems	2.00%
26. Cable and wire facilities - Other	

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION NY0541
INSTRUCTIONS – See help in the online application.	PERIOD ENDED December, 2012

	PART I – STATEMENT OF CASH FLOWS	
1.	**Beginning Cash (Cash and Equivalents plus RUS Construction Fund)**	101,924
	CASH FLOWS FROM OPERATING ACTIVITIES	
2.	**Net Income**	18,921
	Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
3.	Add: Depreciation	138,878
4.	Add: Amortization	0
5.	Other (Explain)	
	Changes in Operating Assets and Liabilities	
6.	Decrease/(Increase) in Accounts Receivable	10,683
7.	Decrease/(Increase) in Materials and Inventory	13,615
8.	Decrease/(Increase) in Prepayments and Deferred Charges	(51,587)
9.	Decrease/(Increase) in Other Current Assets	32,468
10.	Increase/(Decrease) in Accounts Payable	289,822
11.	Increase/(Decrease) in Advance Billings & Payments	0
12.	Increase/(Decrease) in Other Current Liabilities	(7,910)
13.	**Net Cash Provided/(Used) by Operations**	444,890
	CASH FLOWS FROM FINANCING ACTIVITIES	
14.	Decrease/(Increase) in Notes Receivable	0
15.	Increase/(Decrease) in Notes Payable	(59,000)
16.	Increase/(Decrease) in Customer Deposits	(140)
17.	Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	(6,434)
18.	Increase/(Decrease) in Other Liabilities & Deferred Credits	11,733
19.	Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	0
20.	Less: Payment of Dividends	0
21.	Less: Patronage Capital Credits Retired	0
22.	Other (Explain)	
23.	**Net Cash Provided/(Used) by Financing Activities**	(53,841)
	CASH FLOWS FROM INVESTING ACTIVITIES	
24.	Net Capital Expenditures (Property, Plant & Equipment)	7,745
25.	Other Long-Term Investments	(196,389)
26.	Other Noncurrent Assets & Jurisdictional Differences	0
27.	Other (Explain) Retirements -net of salvage and cost of removal	(135,804)
28.	**Net Cash Provided/(Used) by Investing Activities**	(324,448)
29.	**Net Increase/(Decrease) in Cash**	66,601
30.	**Ending Cash**	168,525

USDA-RUS **OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS**	BORROWER DESIGNATION NY0541
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2012

NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

USDA-RUS **OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS**	BORROWER DESIGNATION NY0541
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2012

CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

SALMIN, CELONA, WEHRLE & FLAHERTY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cornerstone Centre, 2300 Buffalo Road, Building 200 • Rochester, New York 14624
585 / 279 / 0120 • FAX 585 / 279 / 0166 • EMAIL postmaster@scwf-cpa.com

INDEPENDENT AUDITORS' MANAGEMENT LETTER

March 27, 2013

Board of Directors
The Hancock Telephone Company and Subsidiaries
Hancock, New York

We have audited the consolidated financial statements of The Hancock Telephone Company and Subsidiaries (the Company) for the year ended December 31, 2012 and have issued our report thereon dated March 27, 2013. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and 7 CFR part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the consolidated financial statements of The Hancock Telephone Company and Subsidiaries for the year ended December 31, 2012, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

We consider the following to be deficiencies in internal control:

Continuing Property Records (CPR)

At the present time, the Company does not have approved continuing property records for its telephone plant in service.

The Company has a manual CPR System that is used for retirement prices. The manual system of summarizing work orders was updated through December 31, 1991. We recommend that the Company continue its efforts to mechanize its CPR. In March of 1991, the Company purchased a computerized CPR mapping system, which was used to update records starting in 1991.

The New York State Public Service Commission (PSC) staff has not forced smaller telephone companies to seek formal regulatory approval for CPR because of the PSC's lack of personnel to review the records. Formal approval of CPR may not occur until the PSC manpower situation is resolved.

Segregation of Duties

The Company has a small staff and therefore segregation of duties becomes impractical. However, we have discussed with the Company some limited controls and oversights they should consider implementing.

Required Comments

Section 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the consolidated financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR 1773.33(e)(2), and related party transactions and investments. In addition, our audit of the financial statements also included the procedures specified in 7 CFR 1773.38-.45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports (other than our independent auditors' report, our communication with those charged with governance, and our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards, all dated March 27, 2013) or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR 1773.33 are presented below.

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding The Hancock Telephone Company and Subsidiaries' internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- The accounting procedures and records;
- The process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;
- The materials control.

COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, and contracts. The procedures we performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract, agreement or lease between the borrower and an affiliate of The Hancock Telephone Company and Subsidiaries for the year ended December 31, 2012.
  - Obtained managements' representation that the Company did not enter into any new written contract agreements or leases during the year between the borrower and an affiliate as defined in section 1773.33(e)(2)(I).
  - Reviewed Board of Director minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule.
- Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS:
  - Agreed amounts reported in Form 479 to The Hancock Telephone Company and Subsidiaries' records.

The results of our tests indicate that, with respect to the items tested, The Hancock Telephone Company and Subsidiaries complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has obtained written approval of the RUS to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others, or for services pertaining to toll traffic, operator assistance, or switching as defined in section 1773.33(e)(2)(I); and,
- The borrower has submitted its Form 479 to the RUS, and Form 479 Financial and Statistical Report as of December 31, 2012, represented by the borrower as having been submitted to the RUS, is in agreement with The Hancock Telephone Company and Subsidiaries' audited records in all material respects.

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the consolidated financial statements of The Hancock Telephone Company and Subsidiaries, nothing came to our attention that caused us to believe that The Hancock Telephone Company and Subsidiaries failed to comply with respect to:

- The reconciliation of subsidiary plant records to the controlling general ledger plant accounts addressed at 7 CFR 1773.33(c)(1);
- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR 1773.33(c)(3) and (4);
- The approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR 1773.33(c)(5);
- The disclosure of material related party transactions, in accordance with Accounting Standards Board Accounting Standards Codification 850, Related Party Transactions, for the year ended December 31, 2012 in the consolidated financial statements referenced in the first paragraph of this report addressed at 7 CFR 1773.33(e); and
- The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The detailed schedule of investments in affiliated companies required by 7 CFR 1773.33 (i), and attached, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However this report is a matter of public record and its distribution is not limited.

Salmin, Celona, Wehrle & Flaherty, LLP

Salmin, Celona, Wehrle & Flaherty, LLP

	HTC Technologies, Inc.	Hancel, Inc.	Total
Original Investment Cost	$ 500	$ 500	$ 1,000
Book Value of Investment at 12/31/10	$ (598,220)	$2,080,981	$1,482,761
Investment Advances	-	-	-
Dividends	-	-	-
Earnings (Loss) in Affiliates	72,700	36,658	109,358
Book Value of Investment at 12/31/11	$ (525,520)	$2,117,639	$1,592,119
Investment Advances	-	-	-
Dividends	-	-	-
Earnings (Loss) in Affiliates	81,665	115,330	196,995
Book Value of Investment at 12/31/12	$ (443,855)	$2,232,969	$1,789,114
Accumulated Losses in excess of original investment cost	$ (443,855)	$ -	$ (443,855)

HTC Technologies, Inc. is a wholly owned subsidiary providing internet and paging services, as well as telephone equipment sales. This investment is accounted for using the equity method of accounting.

Hancel, Inc. is a wholly owned subsidiary providing cable television and long-distance services. This investment is accounted for using the equity method of accounting.